

CALIFORNIA EMPLOYER

Fourth Quarter 1999

Are you ready for Y2K?

Are you concerned about the tax reports and payments that you file electronically when the clock strikes midnight on Friday, December 31, 1999? The Employment Development Department (EDD) has been working with our financial partners and vendors

involved in the transmission of electronic data to ensure a smooth and efficient transition into the Year 2000 (Y2K). The mission-critical systems that EDD uses to collect taxes are also ready for Year 2000 date changes. Contingency plans are in place to

ensure continuity of service, and EDD employees will be working the week-end of the rollover to address any potential Y2K problems.



Although EDD's systems are ready, the financial partners and vendors that you interact with may not be. If you file or pay electronically and you encounter Y2K problems, please be sure to follow the instructions shown at left.

To avoid possible Y2K problems, you should have a supply of the tax forms you use on hand prior to January 1. You can download DE 6s, DE 3BHWs, DE 3HWs, DE 34s, and DE 88 coupons from our website at www.edd.ca.gov, or request them from your local Employment Tax Customer Service Office.

When you request a supply of DE 88 coupons, please be sure to also request a supply of DE 88 "courtesy return envelopes," which should be used to mail your DE 88 coupon and payment.

Y2K PROBLEMS?

If You File or Pay Electronically & Encounter Y2K Problems

EFT OR TELEFILE EFT

If you or your financial institution experience problems with your Electronic Funds Transfer (EFT) payment due to Y2K that would prevent you from paying by EFT *timely*, you must still file and pay timely by mailing a paper DE 88 coupon and check to EDD for the payroll taxes due.

MAGNETIC MEDIA, TELEFILE & EDI

If you experience problems reporting electronically that would prevent you from reporting *timely* by Magnetic Media, Telefile or Electronic Data Interchange (EDI), please contact us at the appropriate number shown at right.

INFORMATION

For more information about filing electronically and Y2K, or if you have problems filing or paying because of Y2K, please contact us at:

- EFT (916) 654-9130
- Magnetic Media . (916) 654-6845
- Telefile (800) 796-3524
- EDI (916) 255-1649

To locate the nearest Employment Tax Customer Service Office, look in the government pages of your telephone directory under "State Government Offices, Employment Development Department, Payroll Tax Information."

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New envelopes identify time-sensitive UI notices

As part of EDD's continuing efforts to improve service to California employers, the Department will begin using envelopes marked "Time Sensitive Material" to mail correspondence such as the *Notice of Unemployment Insurance Claim Filed* (DE 1101CZ).

The envelopes will alert you to dated correspondence requiring a response within a limited time period.



Expected to be in use by the end of 1999, the envelopes will be easy to recognize by the distinctive teal-colored box surrounding the "Time Sensitive Material" statement.

This envelope was developed based on a request from the Small Business Employers Advisory Committee, which provides EDD with perspective on issues that affect the small business community.

Taxable value of meals and lodging for 2000

If you provide meals and/or lodging to your employees, they should be treated as wages for Unemployment Insurance, Employment Training Tax, and State Disability Insurance.

Meals are subject to California Personal Income Tax (PIT) withholding unless you furnish the meals to your employees for your convenience on your business premises. Lodging is subject to PIT withholding unless the employee is required to accept lodging on your business premises as a condition of employment.

Each year, the values of meals and lodging are adjusted based on the cost-of-living indexes. The EDD has proposed the following changes for the values of meals and lodging for 2000:

EMPLOYEES*		MARITIME EMPLOYEES	
Meals	Value	Licensed Personnel	Value
- Breakfast.....	\$ 1.70	- Meals.....	\$ 7.75
- Lunch.....	2.35	- Quarters.....	5.00
- Dinner.....	3.70	- Total per day.....	\$ 12.75
- 3 meals per day.....	\$ 7.75		
- A meal not identified as either breakfast, lunch, or dinner.....	\$ 2.70	Unlicensed Personnel	Value
		- Meals.....	\$ 7.75
		- Quarters.....	3.40
		- Total per day.....	\$ 11.15
Lodging Value		Fishermen	
- Value is set at 66-2/3 percent of the ordinary rental value to the public, but not in excess of \$742.00 per month or less than \$24.05 per week.		- Lodging value is \$24.05 per week and \$3.40 per day for periods of less than a week.	

* Maritime employees' values of meals and lodging are different than all other employees and are shown in the above table on the right. Lodging values for maritime employees apply only when the facilities meet specific minimum standards.

Note: The above values do not apply where higher values of meals and lodging are stipulated in a union agreement or contract of hire, or are required for compliance with minimum wage laws. If you have questions about the taxability of meals and lodging, please contact your nearest Employment Tax Customer Service Office.

State banking holidays for the new year

Although employer Unemployment Insurance and Employment Training Taxes are due quarterly, withholdings from employees' wages for State

Disability Insurance and California Personal Income Tax may need to be deposited more often. State deposit due dates are generally the same as federal

deposit due dates. For specific payroll tax deposit requirements, please see the "Payroll Tax Deposit (DE 88)" section of your *California Payroll Tax Guide* (DE 44P).

HOLIDAY OBSERVED	DATE in 2000	NEXT BANKING DAY in 2000
New Year's Day	January 1	January 3 (Monday)
Martin Luther King Jr. Day	January 17	January 18 (Tuesday)
Presidents' Day	February 21	February 22 (Tuesday)
Memorial Day	May 29	May 30 (Tuesday)
Independence Day	July 4	July 5 (Wednesday)
Labor Day	September 4	September 5 (Tuesday)
Columbus Day	October 9	October 10 (Tuesday)
Veterans Day	November 11	November 13 (Monday)
Thanksgiving Day	November 23	November 24 (Friday)
Christmas Day	December 25	December 26 (Tuesday)

If a deposit date falls on a Saturday, Sunday, or banking holiday, the due date is extended to the next banking day. The EDD recognizes banking holidays observed by the Federal Reserve Bank. Please refer to the EDD chart at left for the banking holidays and dates in 2000.

If you have any questions, please contact your local Employment Tax Customer Service Office.

Do your employees claim exempt status?

The federal *Employee's Withholding Allowance Certificate* (W-4) you receive from your employees can also be used to calculate the amount to withhold for California Personal Income Tax (PIT).

Your employees have the option of completing a State *Employee's Withholding Allowance Certificate* (DE 4) if they want to claim a different marital status and/or different number of

allowances than what they claimed on their W-4 for federal income tax withholding purposes.

The W-4s you receive from your employees claiming exemption from withholding expire each year on February 15. Employees must renew their W-4 by February 15 if they wish to continue to remain exempt from withholding. If an employee does not sign a new W-4, you are required to

change the employee's California PIT withholding status to single

with zero (0) withholding allowances and begin withholding California PIT.



If you have any questions regarding this requirement, please contact the Franchise Tax Board at 1-800-852-5711.

Watch for your *Notice of Contribution Rates and Statement of UI Reserve Account*

You will receive your *Notice of Contribution Rates and Statement of Unemployment Insurance (UI) Reserve Account for Calendar Year 2000* (DE 2088) by December 31, 1999. The notice will show your reserve account activity for July 1, 1998, through June 30, 1999, and your 2000 UI tax rate. The UI taxable wage limit for 2000 will remain at \$7,000 per employee, per year.

The State Disability Insurance (SDI) tax rate for 2000 will be included on your notice. The taxable SDI wage

limit for 2000 will be \$46,327 per employee, per year.

The notice also tells you whether you are subject to Employment Training Tax (ETT). The 2000 ETT rate will remain at 0.1 percent (.001).

For more information on your rates, please contact our Contribution Rate Group at (916) 653-7795 to access an automated phone system that is available 24 hours a day, seven days a week. To expedite your call, please have your DE 2088 or your account number available.

Tips for Annual Reconciliation

Before submitting your fourth quarter *Quarterly Wage and Withholding Report* (DE 6), *Annual Reconciliation Statement* (DE 7), *IRS Employer's Annual Federal Unemployment (FUTA) Tax Return* (Form 940/940EZ), and providing Form W-2 to your employees, you should double check the amounts reported.

Use the information on the table below to reconcile your annual "Total Subject Wages," "UI Taxable Wages," "PIT Wages," and "PIT Withheld."

These tips should help you avoid costly and time-consuming mistakes.

For more information on annual reconciliation or to request a DE 678 form and instructions (DE 678I), contact your local Employment Tax Customer Service Office. For information on the difference between "Total Subject Wages" and "PIT Wages", contact your local Employment Tax Customer Service Office and request the information sheet, *Personal Income Tax Wages Reported on the Quarterly Wage and Withholding Report* (DE 231PIT).

ANNUAL RECONCILIATION	All Items Within Each Box Below Should Agree*
<ul style="list-style-type: none"> Total Subject Wages 	<ul style="list-style-type: none"> Earnings/payroll records DE 6s (Item M) - all 4 quarters DE 7 (Item C)
<ul style="list-style-type: none"> UI Taxable Wages <i>Note: The DE 7 "UI Subject Wages" may be different than the Form 940/940EZ "Total Taxable Wages," if you have exempt employees.</i> 	<ul style="list-style-type: none"> DE 7 (Item D2) IRS Form 940/940EZ (Line 5)
<ul style="list-style-type: none"> PIT Wages 	<ul style="list-style-type: none"> Earnings/payroll records DE 6s (Item N) - all 4 quarters W-2s (Box 17)
<ul style="list-style-type: none"> PIT Withheld 	<ul style="list-style-type: none"> Earnings/payroll records DE 6s (Item O) - all 4 quarters DE 7 (Item G) W-2s (Box 18) plus 1099Rs (Box 10)

* If amounts do not agree, find the error and correct all forms with incorrect amounts. If an error was made on a previously filed DE 6, complete a Tax and Wage Adjustments Form (DE 678) to correct the quarter with the error.

Annual interest rate set at 8 percent

The annual interest rate for the period January 1 through June 30, 2000, for delinquent taxes and contributions will be eight percent (.08), compounded daily. The daily interest factor will be .000219. If you have any questions regarding the annual interest rate, please contact your nearest Employment Tax Customer Service Office.

Toll-free phone numbers for UI services

Customers are now able to contact EDD's Unemployment Insurance (UI) services through four new statewide, toll-free 800 telephone numbers:

- English 1-800-300-5616
- Spanish 1-800-326-8937
- Cantonese 1-800-547-3506
- Vietnamese 1-800-547-2058

Customers located outside of California can continue to use 1-800-250-3913, while deaf and hard-of-hearing customers can continue to call the current TTY number, 1-800-815-9387. The employer menu can be accessed by pressing "3."

More Tax Days offered

We are conducting tax seminars in partnership with the IRS, FTB, BOE and local agencies around the state. You can get tax information and learn what's new. There's no cost to participate, but reservations are recommended if you plan to attend a workshop. Below is the schedule for upcoming conferences.

- **LONG BEACH/SOUTH BAY**
Long Beach Convention Center
March 3, 9 a.m. - 4 p.m.
Call: (310) 516-4330
Fax: (310) 516-4139
- **SAN JOSE**
San Jose State University
April 29, 8:30 a.m. - 3:30 p.m.
Call: (408) 277-9404
Fax: (408) 277-9453
- **SAN FRANCISCO BAY AREA**
Hiram Johnson State Building
May 6, 8:30 a.m. - 3:30 p.m.
Call: (415) 703-5432

Eligible employers can reduce their UI tax rate

Eligible employers have the option of paying an additional Unemployment Insurance (UI) contribution to obtain a lower UI tax rate for 2000. This option is only available when UI contribution rate schedules AA through D are in effect. In 2000, Schedule C will be in effect. A voluntary UI payment is not a prepayment, but an additional payment and cannot be deducted from a future UI tax payment.

You are not an eligible employer if:

- You are an unrated employer with the required 3.4 percent UI tax rate;
- You have a negative UI reserve account balance;
- You already have the lowest possible UI rate; or,
- You have an unpetitioned outstanding liability as of September 30, 1999, (delinquent in paying taxes).

If you are an eligible employer, you will receive a *Voluntary UI Contribution Notice* (DE 2088A), which shows up to three different amounts that you may pay to lower your 2000 UI tax rate. You will also receive an *Explanation Sheet and Worksheet for the Voluntary UI Contributions Notice* (DE 2088VU) to

calculate your projected savings to determine if it is beneficial to make a voluntary UI payment. However, please note that:

- Obtaining a lower rate may not reduce your annual UI costs because the voluntary UI payment may be greater than the savings you will realize from the lower UI rate.
- Once you make a voluntary UI payment, it cannot be refunded and the reduced rate is in effect for all of 2000.
- If you make a voluntary UI payment and are *not* eligible to participate in the voluntary UI program, or if the payment is insufficient to reduce your UI tax rate to the next lowest rate, the payment may be applied to an existing liability with EDD, the State Board of Equalization, or the Franchise Tax Board. If you do not have an existing liability, the voluntary payment will be refunded to you.

The deadline to submit a voluntary UI payment is March 31, 2000. If you have questions on voluntary UI payments, please call EDD's Contribution Rate Group at (916) 653-7795. After you hear the recorded options, stay on the line to speak to a representative.

We're listening to your suggestions!

You may have noticed that the 2000 Employer's Guide is significantly different than last year's guide. This condensed guide, called the *California Payroll Tax Guide* (DE 44P), was created based on feedback from employers and agents. It is smaller because many employers told us that they only keep the Personal Income Tax withholding tables, while others do not need the entire guide because they

have a payroll service. The new guide also includes tax law and regulation changes, types of employment and types of payments tables, an EDD office directory, and a requisition form. The complete *California Employer's Guide* (DE 44) is still available and you may download a copy from our Internet site at www.edd.ca.gov, or contact your local Employment Tax Customer Service Office to request a copy.

Employers' Year-end Checklist

FORM NUMBER	FORM TITLE	DUE or RECEIVED BY
DE 6	<i>Quarterly Wage and Withholding Report – 1999 Fourth Quarter</i>	Delinquent if not filed by January 31, 2000
DE 7	<i>Annual Reconciliation Statement – 1999</i>	Delinquent if not filed by January 31, 2000
W-2 1099-R	<i>Wage and Tax Statement Distributions from Pensions, Annuities, Retirement or Profit Sharing Plans, IRAs, etc.</i>	To employee(s) by January 31, 2000 (Note: Do <u>not</u> send State copy of your W-2s to EDD or FTB.)
DE 44P	<i>2000 California Payroll Tax Guide</i>	Mailed to employers in December 1999

EMPLOYMENT TAX INFORMATION

- General Information, Address Changes, or Requests for Employment Tax Forms (25 copies or less) Call the nearest Employment Tax Customer Service Office
- Forms Requests (25+ copies) (916) 322-2835 Fax: (916) 928-5910
- Register for an EDD Employer Account # (916) 654-7041 Fax: (916) 654-9211
- Electronic Funds Transfer (916) 654-9130 Fax: (916) 654-7441
- Magnetic Media Reporting (916) 654-6845 Fax: (916) 654-7441
- Alternate Forms Coordinator (916) 255-0649 Fax: (916) 255-0629
- Telefile 1-800-796-3524
- Electronic Data Interchange (916) 255-1649
- Tax Rates & Benefit Charge Information (916) 653-7795
- New Employee Registry (916) 657-0529 Fax: (916) 255-0951
- Offers in Compromise (916) 464-2726 Fax: (916) 464-2121
- Underground Economy Operations (916) 464-1075 Fax: (916) 464-1020
- Taxpayer Rights Advocate (916) 654-8957 Fax: (916) 654-6969
- EDD's Website: www.edd.ca.gov

CALIFORNIA EMPLOYER



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